

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6751**

**BILL NUMBER:** HB 1303

**NOTE PREPARED:** Dec 21, 2004

**BILL AMENDED:**

**SUBJECT:** Replacement of Property Tax with Transfer Tax.

**FIRST AUTHOR:** Rep. Brown T

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that property may not be assessed for taxation after 2008. It establishes the Real Estate Transfer Tax on all transfers of a real property interest for valuable consideration. The bill imposes the Real Estate Transfer Tax at the rate of 17% of the consideration paid for the conveyance. It also specifies exemptions from the Real Estate Transfer Tax. The bill establishes the County Real Estate Transfer Tax Fund. The bill also requires distributions from the fund to the civil taxing units and school corporations located in the county proportional to their 2008 property tax levies.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** The Department of State Revenue could incur some additional administrative expenses associated with the development of the real estate transfer form. The increased cost could probably be funded within current appropriation levels.

The bill repeals property taxes starting with the 2009 calendar year. The state would not have to pay Property Tax Replacement Credits on levies. The reduction in state funding for the Property Tax Replacement Credits is estimated to be \$825.3 M for FY 2009 and \$2,506.1 M for FY 2010.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill could increase or decrease revenue for local units. The amount of

the tax is 17% of the total consideration actually paid or required to be paid for real property.

Revenue from the tax will be deposited in the County Real Estate Transfer Tax Fund and be distributed to local units based on their 2008 property tax levies. The impact would depend on the value of the real estate sold and the number of parcels sold.

*Background:* In FY 2004, 212,888 sales disclosure forms were filed with county auditors. The gross levy for CY 2003 was \$5,182.1 M, so the average value of property sold would have needed to have been about \$137,400 to generate the levy. A second way to look at the impacts is to consider the percentage of property in a county that has to be sold each year to generate the current levy in the county. Assuming that the current assessed valuations are a current measure of the value of real property, counties would have to have about 18.2% of all real property sold annually. The percentage on a county basis varies from a turnover rate of 9.5% to 30.8%.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** All Local Units.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.